GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1109
ANSWERED ON:21.07.2017
Loans to Small and Medium Farmers in Rural Areas
Baheria Shri Subhash Chandra

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has issued any guidelines to the private banks in the wake of demonetisation to mandatorily provide loans to small and medium farmers in the rural areas;

(b) if so, the details thereof and if not, the reasons therefor; and

(c) whether the Government proposes to encourage/promote private banks to provide services in rural areas and if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance

(a) & (b): Post demonetisation, the Government has taken the following relief measures for the farming sector:

i. The Government decided that an additional grace period of 60 days for prompt repayment incentive @ 3% will be provided to such of the farmers whose crop loans dues fall due between 01/11/2016 to 31/12/2016 and if such farmers repay the same within 60 days from their due date in this period.

ii. The Government also decided to grant interest waiver for two months (November and December, 2016) for all short term crop loan availed from Cooperative Banks between 01.04.2016 to 30.09.2016 and upfront deposit of the same in the accounts of the concerned farmers.

iii. National Bank for Agriculture and Rural Development (NABARD) will make short term borrowings at prevailing market rate of interest for approx. Rs. 20,000 crore for on-lending to Cooperative Banks at 4.5% rate of interest.

Further, the Government in the Department of Agriculture, Cooperation and Farmers' Welfare (DAC&FW) has approved the Interest Subvention Scheme for the continuation in the current financial year 2017-18. Under the Scheme, interest subvention of 2% per annum is provided to Public Sector Banks, Private Sector Scheduled Commercial Banks (in respect of loans given by their rural and semi urban branches only), Cooperative Banks and Regional Rural Banks on their own funds used for short term crop loans uptoRs. 3.00 lakh per farmer provided the lending institutions make available short term credit at the ground level at 7% per annum to farmers.

(c): On the advice of Reserve Bank of India (RBI), domestic scheduled commercial banks including private sector banks have devised three year Financial Inclusion Plans (FIP) congruent with their business strategy and comparative advantage to make it an integral part of their corporate plans. The FIP plans broadly include self-set targets in respect of rural brick and mortar branches opened; business correspondents (BC) employed; coverage of unbanked villages with population above 2000 as also other unbanked villages with population below 2000 through branches/BCs/other modes; no-frill accounts opened including through BC-ICT; Kisan Credit Cards (KCC) and General Credit Cards (GCC) issued.

RBI has intimated that domestic scheduled commercial banks (other than RRBs) are permitted to open Banking Outlets in Tier 1 to Tier 6 centres without having the need to take permission from Reserve Bank of India in each case. Further, at least 25 percent of the total number of 'Banking Outlets' opened during a financial year should be opened in unbanked rural centres. A full-fledged 'brick and mortar' branch opened in a rural (Tier 5 and 6) centre which is already being served by a fixed point BC outlet by any bank will also be eligible to be treated as equivalent to opening a 'Banking Outlet' in a Unbanked Rural Centre.